

Minneapolis Community Development Agency

## Request for City Council Committee Action

Date: November 4, 2002

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

Prepared by, Willie Adams, Financial Analyst II, Phone 612-673-5066

Approved by Chuck Lutz, MCDA Interim Executive Director \_\_\_\_\_

**Subject:** Request for Final Approval of up to \$6,000,000 in Taxable Minneapolis Community Development Agency, Limited Tax Supported Development Revenue Bonds, Common Bond Fund, Series 2002, for Zip Sort, Inc. to be issued through the MINNEAPOLIS COMMON BOND FUND.

Previous Directives: This project received Preliminary Approval on November 8, 2002.

Neighborhood Group Notification: The Marshall Terrace neighborhood has been notified.

Consistency with *Building a City that Works*:

Goal 1: Increase the City's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents.

Objective A: Provide opportunities that create more living wage jobs in the City.

Strategy 2: Provide funding to assist businesses with the creation and retention of living wage jobs. Assist healthy and start-up Minneapolis companies with financing and regulatory issues in order to retain and create new employment in the City.

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Equal Housing and Employment Opportunities

- Goal 3: Support strong and diverse neighborhoods where people choose to live.  
Objective B: Eliminate barriers and blighting influences that prevent or inhibit healthy neighborhood environments and economies.  
Strategy 3: Provide funds for improving existing buildings or constructing new ones.

Comprehensive Plan Compliance: The project is in compliance with the comprehensive plan.

Zoning Code Compliance: The project site is zoned I2.

Impact on the MCDA Budget:

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain): The issuance of Revenue Bonds will generate annual administrative fees of \$23,625.00 to support the small business activities of the City.

Living Wage/Business Subsidy: Business Subsidy does not apply to projects that receive funds from bonds allocated under Minnesota Statutes, Chapter 474A, refunding bonds and 501(c)(3) bonds.

Job Linkage: The project will enter into a job linkage agreement prior to the bond closing.

Affirmative Action Compliance: The project is consulting with the City's Civil Rights Department in order to comply with the Affirmative Action requirement.

**RECOMMENDATION:**

**City Council Recommendation:** The Interim Executive Director recommends that the City Council pursuant to MCDA Resolution No. 87-171M adopted by the Board of Commissioners of the Minneapolis Community Development Agency on July 16, 1987, that these Common Fund Bonds be designated, if and when issued, as bonds entitled to the Security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

The Interim Executive Director recommends that the Minneapolis City Council adopt the attached Resolution, a summary of which will be published, giving Final Approval to the issuance of \$6,000,000 in Taxable Minneapolis Community Development Agency, Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2002, for Zip Sort, Inc., to be issued through the MINNEAPOLIS COMMON BOND FUND and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

**MCDA Board Recommendation: The Interim Executive Director recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the resolution on file; giving Final Approval to the issuance of \$6,000,000 in Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2002, for Zip Sort, Inc. to be issued through the MINNEAPOLIS COMMON BOND FUND.**

#### Background/Supporting Information

##### PROJECT LOCATION & DESCRIPTION:

The project is located at 63 St. Anthony Parkway and consists of 148,800 square feet of space.

Zip Sort, Inc. is the major operating company in the building and will extend a lease to Despatch Industries Limited Partnership. Zip Sort was purchased in 1987 by the majority stockholder, Leo Polack. The company was previously known as Minneapolis Zip Sort. The company originated after the United States Postal Service initiated presort discounts for first class mail. During the time of development of presort mail, Zip Sort, Inc. also established a letter shop operation for its customers. Through the process of growth and acquisitions, Zip Sort, Inc. established itself as a major enterprise in the regional market.

From the mid 1990's to the present, Zip Sort, Inc. has acquired additional business entities in the Cities of Duluth and St. Cloud, Minnesota, and Milwaukee and Madison in Wisconsin.

With a combination of excellent employees and automated equipment, a focus on service expansion and quality customers evolved and the company experienced exponential growth and development. In 1993 this effort was recognized when the company received the United States Postal Service Industry Excellence Award.

The company maintains databases, physical inventories for statements and envelopes, prints and/or addresses documents for other companies and organizations. Zip Sort will print, barcode, apply the postage and sort and deliver to the Post Office or other shippers. Some of the company's major customers are Discover Financial, Mayo Clinic, Lasermark Bureau of Collections and American Express Financial.

Zip Sort, Inc. is proposing to purchase an existing 150,000 square foot facility located at 63 St. Anthony Parkway. The project will require some electrical updating and the installation of new operating equipment.

TYPE OF FINANCING:

Sources:

Taxable Revenue Bonds	\$6,000,000
Equity	744,000
Total Sources	<u>\$6,744,000</u>

Uses:

Purchase Land and Building	\$4,500,000
Debt Service Reserve	544,000
Equipment	1,500,000
Underwriting Fees & Capitalized Interest	200,000
Total Uses	<u>\$6,744,000</u>

PRESENT EMPLOYMENT:

Zip Sort currently employs 182 people, of which 86 live in the City of Minneapolis.

NEW EMPLOYMENT:

There will be approximately 20 new employment opportunities created.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:

The Assessors Office has the project under review. The project is currently paying \$165,261.92.

AFFIRMATIVE ACTION COMPLIANCE:

The project is consulting with the City's Civil Rights Department in order to comply with the Affirmative Action requirement.

MCDA IRB POLICIES:

Job Component

Minimum standard of one (1) job per 1,000 square feet of building area.

Zip Sort: This project will have 1.2 jobs per 1,000 square feet.

Property Improvements

No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.

	<p><u>Zip Sort:</u> Zip Sort will be purchasing an existing building and will invest 5% in rehabilitation. However, this 5% financing is a taxable bond. Thus this project does not have a 15% rehab requirement.</p>
Development Standards	<p>Compliance with the Land Use Plan of the City's Comprehensive Plan.</p> <p><u>Zip Sort:</u> The City Planning Department has the project under review</p>
Equipment Financing	<p>Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.</p> <p><u>Zip Sort:</u> 25% of the bond will be used to purchase operating equipment that will not be easily movable.</p>
Restaurant/Bank	<p>IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.</p> <p><u>Zip Sort:</u> N.A.</p>
Tax-exempt Institution	<p>Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.</p> <p><u>Zip Sort:</u> N.A.</p>

IRB CAP:

The project is not subject to the volume cap in that there is no volume limitation for Taxable Revenue Bonds.

BOND COUNSEL:

Gray, Plant & Mooty

UNDERWRITER:

RBC Dain Rauscher, Inc.

COUNCIL MEMBER INFORMED:

Yes, Council Member Joe Biernat,  
3rd Ward

CITY COUNCIL PRELIMINARY  
APPROVAL:

November 8, 2002

MCDA PRELIMINARY APPROVAL:

November 8, 2002

MINNESOTA DEPARTMENT OF  
TRADE AND ECONOMIC  
DEVELOPMENT APPROVAL:

Upon publication of the preliminary resolution we will make application to the Minnesota Department of Trade and Economic Development for project approval.

**Giving final approval to and authorizing a project on behalf of Zip Sort, Inc. (the "Company"), authorizing the issuance of revenue bonds of the Minneapolis Community Development Agency therefor, and designating the bonds under Minneapolis Code of Ordinances, Title 16, Chapter 424, as amended**

Whereas, pursuant to Laws of Minnesota 1980, Chapter 595, as amended ("Chapter 595"), the City Council of the City of Minneapolis, Minnesota (the "City") established the Minneapolis Community Development Agency (the "Agency") and granted certain powers and duties to the Agency; and

Whereas, pursuant to such granted powers, the Agency has been authorized to issue revenue bonds for the purpose of providing financing for the acquisition, construction and installation of projects consisting of properties, real or personal, used or useful in connection with a revenue-producing enterprise, whether or not operated for profit; and

Whereas, by Resolution No. 82-512, as amended, of the Agency, the Agency established a common bond fund and authorized the issuance from time to time by the Agency of bonds to be secured by such common bond fund (the "Common Fund Bonds"); and

Whereas, under the terms of Minneapolis Code of Ordinances, Title 16, Chapter 422, as amended ("Chapter 422"), adopted pursuant to Chapter 595, the City Council of the City authorized the Agency to issue Common Fund Bonds; and

Whereas, it has been proposed that the Agency issue revenue bonds in the amount of not to exceed \$6,000,000 (the "Bonds") to finance the acquisition and equipping of an approximately 148,000 square foot building located at 63 St. Anthony Parkway in the City to be used in the bulk mailing operations of the Company (the "Project"); and

Whereas, the Agency expects to give final approval to the issuance of the Bonds by a resolution to be adopted on the date hereof; and

Whereas, the Bonds shall bear interest at an average weighted interest rate not to exceed eight percent (8.00%) per annum, shall have a final maturity date not later than December 1, 2028, and shall have such other terms as required or permitted by the Agency's resolution, which terms are to be incorporated herein by reference; and

Whereas, pursuant to Minneapolis Code of Ordinances, Chapter 424, as amended ("Chapter 424"), the City may from time to time designate a series of Common Fund Bonds to be secured by the limited pledge of tax revenues authorized by Chapter 424;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City Council hereby gives final approval to the issuance by the Agency of the Bonds in the aggregate principal amount of not to exceed \$6,000,000 for the purpose of financing the Project.

That the Bonds are hereby designated "Program Bonds" and are determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-042 of the City adopted December 12, 1997.

That the City Council hereby designates the Bonds under Chapter 424 as bonds which are and shall be entitled to the benefit of the pledge, agreements and provisions of Chapter 424.

That the Finance Officer of the City shall execute and deliver such certificates as may be necessary on the date of delivery of the Bonds in order to acknowledge the application of Chapter 424 to the Bonds and the designation of the Bonds thereunder.

That this approval of the City Council of the City is hereby given as required by Chapter 422.